



**TOWN OF ARLINGTON**  
DEPARTMENT OF PLANNING and  
COMMUNITY DEVELOPMENT

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**MEMORANDUM**

To: Select Board  
Finance Committee

From: Jennifer Raitt, Director, Planning and Community Development

CC: Housing Plan Implementation Committee  
Adam Chapdelaine, Town Manager

Date: March 3, 2021

RE: Warrant Article 27 – Real Estate Transfer Fee

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Since the fall of 2019, the Housing Plan Implementation Committee (HPIC) has been researching real estate transfer fees (RETFs) as a way to create revenue dedicated to affordable housing purposes. Any revenue from a RETF must be deposited into a municipal affordable housing trust (MAHT). Having a dedicated revenue source would ensure that a MAHT, if adopted by Town Meeting, has a continual stream of revenue. The RETF would allow the Town to assess a fee on the purchase price of residential and commercial real estate transactions. Funds can only be used to address housing affordability.

As of 2019, RETFs were assessed by 38 states, numerous counties, and jurisdictions, and the District of Columbia.<sup>1</sup> A number of communities in the greater Boston area have submitted or plan to submit Home Rule petitions to establish a RETF, including Boston, Concord, Brookline, Somerville, Nantucket, and Provincetown. With the beginning of the current Legislative Session in early 2021, a consensus bill was filed in both branches ([HD.1911](#) & [SD.565](#)) to create a local option to establish a real estate transfer fee in consultation with the Real Estate Transfer Fee Coalition.<sup>2</sup> As there is no local option for Massachusetts cities and towns to adopt, the Warrant Article is filed as a Home Rule petition, which would eventually have to be added to a ballot for an upcoming election in Arlington. The Home Rule petition is aligned with the local option bill.

As part of the research on the various petitions and the bills to create a local option, the HPIC has become aware of some differences. Key among these includes the threshold where the fee is triggered, the percentage established for the fee, and which party pays the fee. The HPIC has discussed this at meetings and would like to provide to the Finance Committee and the Select Board with a range of options for consideration.

The HPIC researched three different thresholds to trigger a RETF:

1. Sales equal to or greater than the Massachusetts the median single-family home sale price for the preceding 12 months (\$445,500 for calendar year 2020<sup>3</sup>);

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<sup>1</sup> <http://www.ncsl.org/research/fiscal-policy/real-estate-transfer-taxes.aspx>

<sup>2</sup> <https://www.realestatetransferfee.org/>

<sup>3</sup> Data from Banker and Tradesman for calendar year 2019.

2. Sales equal to or greater than the Arlington the median single-family home sale price for the preceding 12 months (\$860,000 for calendar year 2020<sup>4</sup>); and
3. Sales equal to or greater than one million dollars.

In 2020, there were 556 sales. The number of sales greater than or equal to the statewide median was 515. The number of sales greater than or equal to the Arlington median was 239. The number of sales greater than or equal to 1 million was 127.

The HPIC researched different percentages: 0.05%, 0.5%, 1%, and 2%. The local option bill allows a local jurisdiction to set the fee between 0.5% and 2%. The petitions reviewed range in percentages, and the HPIC prepared the following chart to present the revenue that could be captured at different transaction thresholds and percentages based on the 2020 median statewide sale price, the 2020 median Arlington sale price, and transaction of one million dollars:

<b>Transaction Threshold</b>	<b>Total Value in Sales</b>	<b>0.05%</b>	<b>0.5%</b>	<b>1.0%</b>	<b>2.0%</b>
Greater than or equal to \$445,500	\$453,341,983	\$226,671	\$2,266,710	\$4,533,420	\$9,066,840
Greater than or equal to \$860,000	\$265,484,487	\$132,742	\$1,327,422	\$2,654,845	\$5,309,690
Greater than or equal to \$1,000,000	\$162,009,056	\$81,005	\$810,045	\$1,620,091	\$3,240,181

In regard to which party should be assessed the fee, the HPIC reviewed examples from other communities. In the examples reviewed, other municipalities have required the fee to be paid half by the seller and half by the buyer, or entirely by the buyer, or entirely by the buyer. There was no appreciable trend.

There are also a number of exemptions outlined in the Warrant Article. In addition to the exemptions listed, other communities have exempted transfers between family members including spouses, parents and children, grandparents and grandchildren, step-parents and step-children, siblings or step-siblings, transfers for convenience, first time homebuyers who live in the home for at least 5 years, and transfers between parties with annual income below 80% of Area Median Income as established by the U.S. Department of Housing and Urban Development for that city or town.

The Warrant Article provides the Town with the ability to, via bylaw, adopt additional requirements, exemptions, waivers, and regulations to implement or enforce the real estate transfer fee. The allowance to create a waiver process ensures that the special circumstances of any transaction might be considered by the Town, and the fee waived or reduced in some fashion.

In summary, the HPIC strongly supports this Warrant Article as a way to create sustainable and continuous revenue for a MAHT. This type of funding could enable a MAHT, if adopted by Town Meeting, to be prepared to assist low- to moderate-income households in a holistic and well-capitalized way that Arlington has not yet been able to achieve. Furthermore, a well-funded MAHT would serve as a

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<sup>4</sup> Data from Banker and Tradesman for calendar year 2020.

vehicle to aggregate resources to support the creation and preservation of affordable units by AHA, HCA, and others.

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